

Policy Unit

# Concept Papers on Market/ Client Segmentation

(PRELIMINARY REPORT)

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Policy Unit

# A Framework for Segmenting the Market for Family Planning Services and Products

March 31, 2004

# A FRAMEWORK FOR SEGMENTING THE MARKET FOR FAMILY PLANNING SERVICES & PRODUCTS

## **Rationale for the Framework:**

Ensuring contraceptive self-reliance (CSR) has become a vital undertaking that is expected to address the impact of the forthcoming withdrawal of donated FP commodities in the country. The government will find it difficult to pull together the resources to fill in the gap that will be created once donated commodities are finally withdrawn over the next two years. Thus, it is critical to establish a sustainable CSR program, both at the national and LGU levels, to provide adequate funding for the procurement, distribution, and provision of modern contraceptives supplied by LGU health and population service providers, without relying on external donations.

A key component of the task on ensuring CSR is market segmentation. With limited government resources, replacing the entire donated FP commodities will be very difficult to achieve. One strategy that can address this concern is to let those that can afford pay for these commodities. Market segmentation will allow the government to continue supplying free commodities to those who can not afford to pay.

Market segmentation is not an easy task to accomplish given the many factors involved. The framework for market segmentation was designed with specific focus on two important variables: the Poverty Index or Incidence and the Contraceptive Prevalence Rate (CPR). The former is used as an indicator of those who can afford to pay; while the latter is used as an indicator of where the need for ensuring CSR is greatest.

## **Background on the Quadrant Model:**

The Quadrant Model is a popular Analytical Tool used both by academicians and practitioners in analyzing situations where there are two main variables involved. It has been used in several instances with great clarity and demonstrable good results. Below are some examples of analyses using the Quadrant Model:

1. Strategic Management: There are two excellent examples on how the quadrant model has been used in this area:
  - a. The Boston Consulting Group has used the quadrant model to define a portfolio analysis matrix using the two variables of market growth and market share. See Annex 1.
  - b. The Ansoff Growth Matrix, on the other hand, is a tool that helps businesses decide their product and market growth strategy. See Annex 2.
2. General Management: Covey has popularized the Time Management Matrix to help individuals manage their time and priorities effectively. See Annex 3.

3. The Social Sciences: The model is popular among academicians in defining relationships with two important variables. Here are two very good examples:
  - a. The Johari Window was developed by Joseph Luft and Harry Ingham to help people understand how they relate with others. See Annex 4.
  - b. Thomas Harris, using concepts and techniques developed by Eric Berne, wrote the best selling book on human relationships entitled I'm OK, You're OK. Again using the Quadrant Model, he defines four possible life positions. See Annex 5.

### **A Framework for Segmenting the Market for FP:**

Using now the Quadrant Model, four possible scenarios in segmenting the market for FP commodities and services are defined. We utilize the variables of Poverty Index and CPR. While the Quadrant Matrix as an analytical tool is not new, applying it to market segmentation for FP products and services is an innovative process.

The LEAD Project thus developed the matrix below:

**HIGH**

P  
O  
V  
E  
R  
T  
Y  
  
I  
N  
D  
E  
X

<b>Q1: <u>PRIORITIZE</u></b> <ul style="list-style-type: none"> <li>• People need to practice FP</li> <li>• Cannot pay nor buy FP services</li> <li>• House-to-house targeting</li> <li>• PUSH strategy</li> <li>• Major Public sector involvement</li> </ul>	<b>Q2: <u>OPTIMIZE</u></b> <ul style="list-style-type: none"> <li>• Many people practice FP</li> <li>• May be willing to pay for FP</li> <li>• Characteristic targeting</li> <li>• PUSH/PULL Strategy</li> <li>• Mainly Public sector, possible Private sector interest</li> </ul>
<b>Q3: <u>PRIVATIZE</u></b> <ul style="list-style-type: none"> <li>• Not too many people practice FP</li> <li>• People can pay for FP services</li> <li>• Characteristic targeting</li> <li>• PULL/PUSH Strategy</li> <li>• Strong Private sector interest, with vigorous advocacy component</li> </ul>	<b>Q4: <u>MINIMIZE</u></b> <ul style="list-style-type: none"> <li>• Many people practice FP</li> <li>• People are willing and able to pay</li> <li>• Self targeting</li> <li>• PULL strategies</li> <li>• Mainly a Private sector arena</li> </ul>

**LOW**

C P R

**HIGH**

### **What the Quadrants Mean:**

1. Q1 are areas or groups of people who are poor and have a relatively low CPR and therefore high unmet needs for FP products and services. The public sector should therefore **prioritize** attention to them since the private sector will not be naturally attracted to them because of their low paying capacity.
2. Q2 are areas or groups of people who are poor and have high CPR and therefore low unmet needs for FP products and services. There are already many acceptors of various FP methods. They may even be willing to pay some amounts for their FP needs. Because of their high CPR, the public sector will want to **optimize** the situation by keeping commodities and services available to them. The private sector may be willing to partner with the public sector to maintain the high CPR.
3. Q3 are areas or groups of people who are non-poor with low CPR and therefore high unmet needs for FP products and services. These people will have the capacity to pay for their FP commodities and services but still have to realize the need for or importance of FP. This is an interesting market segment for the private sector since there is a potential market once the need is created. The objective here is to “**privatize**” this market segment and attract the private sector with various interventions, including marketing/promotions or advocacy work.
4. Q4 are areas or groups of people who are non-poor with high CPR and therefore low unmet needs for FP products and services. These people have realized the importance or the need for smaller family-size and are willing and able to pay for their FP services and products. The public sector should **minimize** its involvement with this market segment and leave it almost entirely for the private sector to take advantage of.
5.  $Q1 + Q2 =$  The poor. They probably constitute (?)% of the population. These are groups or areas where efforts should be maximized to ensure CSR. They constitute the bulk of the population and women have the greatest tendency of falling out of FP programs if they do not have the resources to buy or access FP commodities.
6.  $Q3 + Q4 =$  The non-poor. Probably (?) % of the population. They have the wherewithal to buy FP products and services for themselves. Q3 has still to be tapped and developed as a market through marketing efforts from the Private sector.
7.  $Q1 + Q2 + Q3 =$  CPR Areas. If we want to impact CPR, i.e. increase it, we should focus on these areas or groups of people. They would probably constitute about (?)% of the population.
8.  $Q2 + Q3 + Q4 =$  Private sector Areas. These are the groups or areas where the Private sector would be interested to come in as there is potentially a market. Q3 and Q4 are viable market segments because people there have the capacity to pay. Q2 can be helped by the Private sector through Social Marketing Programs or through subsidized commodities.

### **The Framework and the OR Project in Pangasinan:**

The Framework is an initial draft and very much a work-in-progress. It was developed in discussions and collaboration with our partners in Pangasinan as well as in CEPR. The idea is to use the OR environment in Pangasinan and elaborate more on this model. An initial step in this direction has been a Market Segmentation Workshop with the Pangasinan Team last April 22 to 23 in Clark Field in Pampanga.

### **Next Steps:**

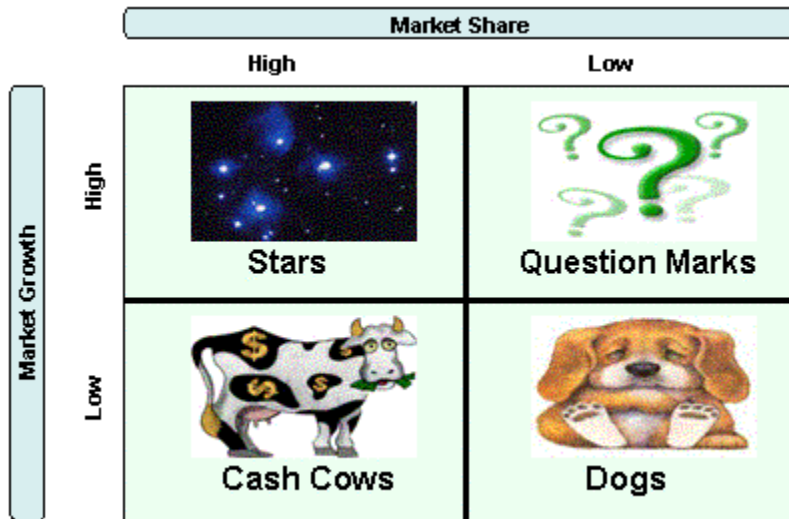
The next steps will have to include the following:

1. Further elaboration of the scenarios for each of the quadrants.
2. Defining the characteristics of each of the quadrants, both qualitatively and quantitatively.
3. Defining the interventions or courses of action appropriate for each quadrant.
4. Testing these interventions in the OR environment of Pangasinan.
5. Documenting the model and process for possible replication in other sites or locations.

# **ANNEX 1**

## Annex 1:

### The Boston Consulting Group Box ("BCG Box")



Using the BCG Box (an example is illustrated above) a company classifies all its SBU's according to two dimensions:

*On the horizontal axis: relative market share* - this serves as a measure of SBU strength in the market

*On the vertical axis: market growth rate* - this provides a measure of market attractiveness

By dividing the matrix into four areas, four types of SBU can be distinguished:

**Stars** - Stars are high growth businesses or products competing in markets where they are relatively strong compared with the competition. Often they need heavy investment to sustain their growth. Eventually their growth will slow and, assuming they maintain their relative market share, will become cash cows.

**Cash Cows** - Cash cows are low-growth businesses or products with a relatively high market share. These are mature, successful businesses with relatively little need for investment. They need to be managed for



continued profit - so that they continue to generate the strong cash flows that the company needs for its Stars.

**Question marks** - Question marks are businesses or products with low market share but which operate in higher growth markets. This suggests that they have potential, but may require substantial investment in order to grow market share at the expense of more powerful competitors. Management have to think hard about "question marks" - which ones should they invest in? Which ones should they allow to fail or shrink?

**Dogs** - Unsurprisingly, the term "dogs" refers to businesses or products that have low relative share in unattractive, low-growth markets. Dogs may generate enough cash to break-even, but they are rarely, if ever, worth investing in.

Using the BCG Box to determine strategy

Once a company has classified its SBU's, it must decide what to do with them. In the diagram above, the company has one large cash cow (the size of the circle is proportional to the SBU's sales), a large dog and two, smaller stars and question marks.

Conventional strategic thinking suggests there are four possible strategies for each SBU:

**(1) Build Share:** here the company can invest to increase market share (for example turning a "question mark" into a star)

**(2) Hold:** here the company invests just enough to keep the SBU in its present position

**(3) Harvest:** here the company reduces the amount of investment in order to maximize the short-term cash flows and profits from the SBU. This may have the effect of turning Stars into Cash Cows.

**(4) Divest:** the company can divest the SBU by phasing it out or selling it - in order to use the resources elsewhere (e.g. investing in the more promising "question marks").

# **ANNEX 2**

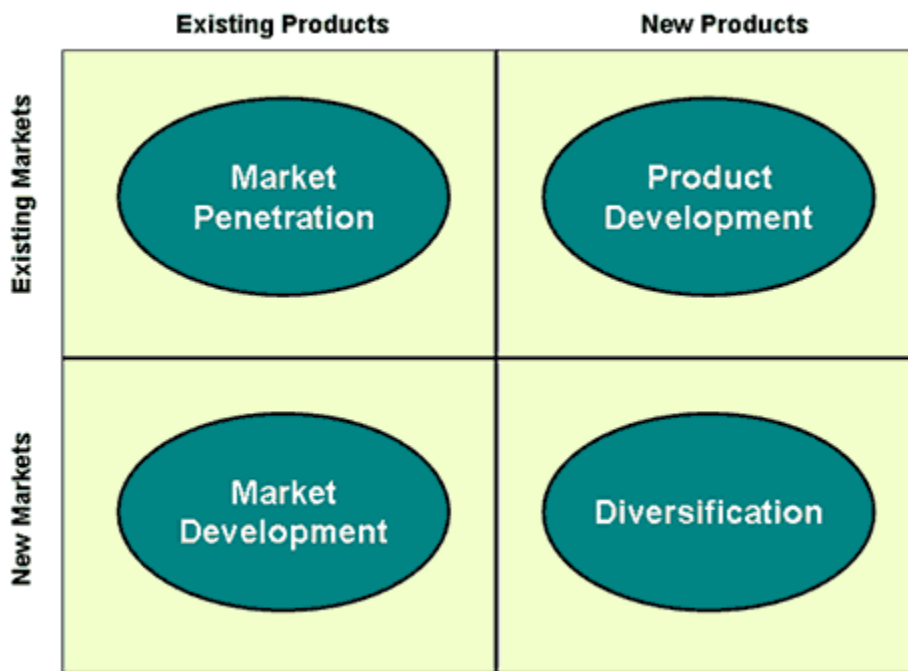
## Annex 2:

### Ansoff product / market matrix

#### Introduction

The Ansoff Growth matrix is a tool that helps businesses decide their product and market growth strategy.

Ansoff's product/market growth matrix suggests that a business' attempts to grow depend on whether it markets **new or existing** products in **new or existing** markets.



The output from the Ansoff product/market matrix is a series of suggested growth strategies that set the direction for the business strategy. These are described below:

## **Market penetration**

Market penetration is the name given to a growth strategy where the business focuses on selling existing products into existing markets.

Market penetration seeks to achieve four main objectives:

- Maintain or increase the market share of current products - this can be achieved by a combination of competitive pricing strategies, advertising, sales promotion and perhaps more resources dedicated to personal selling
- Secure dominance of growth markets
- Restructure a mature market by driving out competitors; this would require a much more aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors
- Increase usage by existing customers - for example by introducing loyalty schemes.

A market penetration marketing strategy is very much about “business as usual”. The business is focusing on markets and products it knows well. It is likely to have good information on competitors and on customer needs. It is unlikely, therefore, that this strategy will require much investment in new market research.

## **Market development**

Market development is the name given to a growth strategy where the business seeks to sell its existing products into new markets.

There are many possible ways of approaching this strategy, including:

- New geographical markets; for example exporting the product to a new country
- New product dimensions or packaging: for example
- New distribution channels
- Different pricing policies to attract different customers or create new market segments

## **Product development**

Product development is the name given to a growth strategy where a business aims to introduce new products into existing markets. This strategy may require the development of new competencies and requires the business to develop modified products which can appeal to existing markets.

## **Diversification**

Diversification is the name given to the growth strategy where a business markets new products in new markets.

This is an inherently more risk strategy because the business is moving into markets in which it has little or no experience.

For a business to adopt a diversification strategy, therefore, it must have a clear idea about what it expects to gain from the strategy and an honest assessment of the risks.

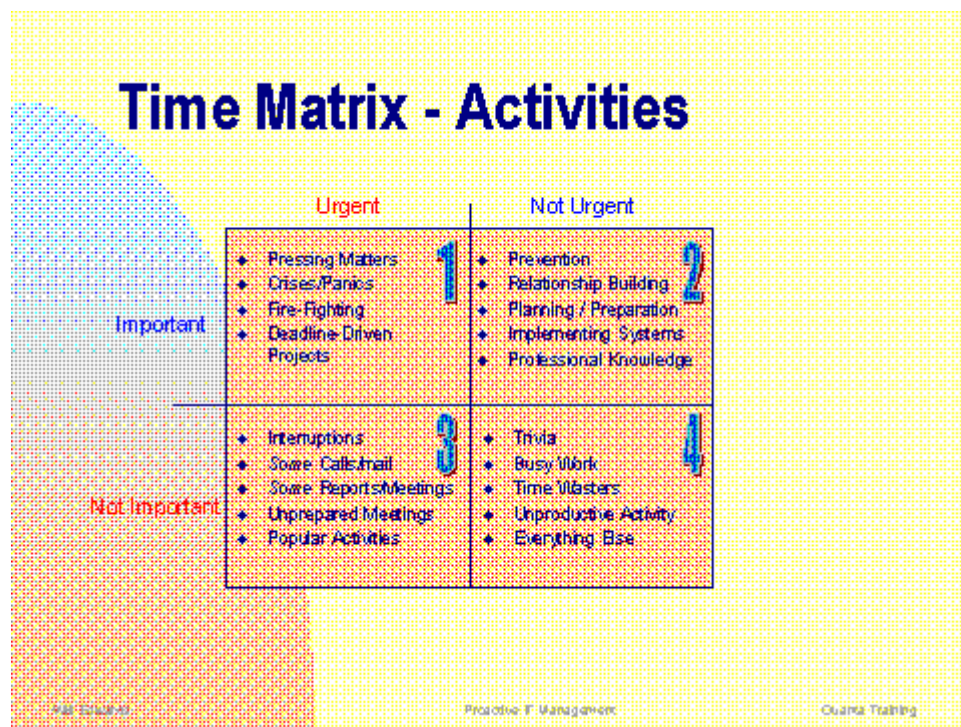
# **ANNEX 3**

### Annex 3:

## Time Management Matrix

from *First Things First*  
by Stephen R Covey

*In First Things First, Stephen Covey explains that most people are driven by the concept of urgency. But to really effect positive change in our lives, we need to reorganize the way we spend our time; based on the concept of importance - not urgency.*



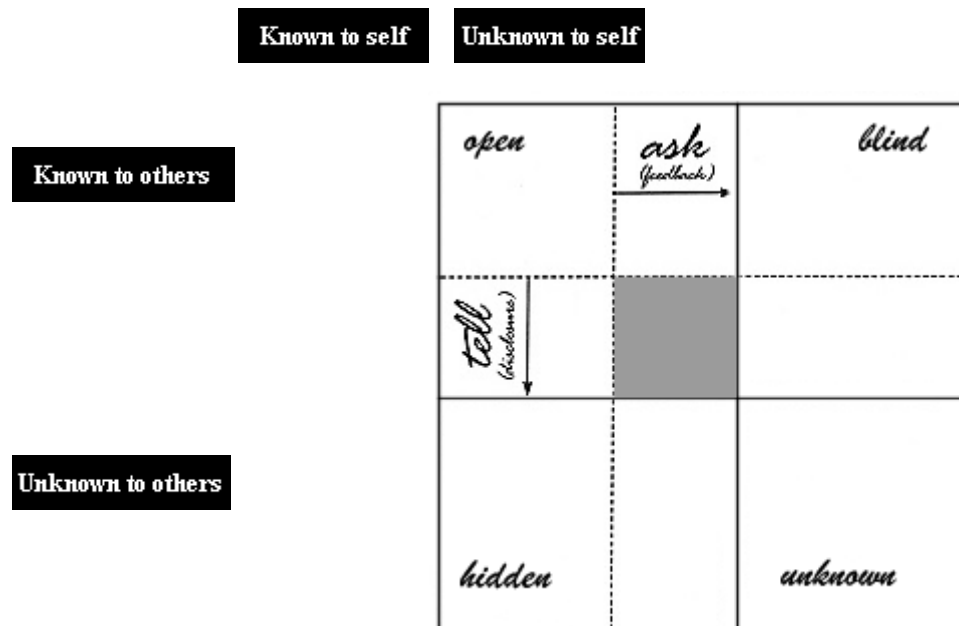
# **ANNEX 4**



## Annex 4:

### THE JOHARI WINDOW MODEL

KnowMe™ is based on the Disclosure/Feedback model of awareness known as the Johari Window, named after Joseph Luft and Harry Ingham. It was first used in an information session at the Western Training Laboratory in Group Development in 1955.



The four panes of the window represent the following:

- **Open:** The open area is that part of our conscious self - our attitudes, behavior, motivation, values, way of life - of which we are aware and which is known to others. We move within this area with freedom. We are "open books".
- **Hidden:** Our hidden area cannot be known to others unless we disclose it. There is that which we freely keep within ourselves, and that which we retain out of fear. The degree to which we share ourselves with others (disclosure) is the degree to which we can be known.
- **Blind:** There are things about ourselves which we do not know, but that others can see more clearly; or things we imagine to be true of ourselves for a variety of reasons but that others do not see at all. When others say what they see (feedback), in a supportive, responsible way, and we are able to hear it; in that way we are able to test the reality of who we are and are able to grow.

- **Unknown:** We are more rich and complex than that which we and others know, but from time to time something happens - is felt, read, heard, dreamed - something from our unconscious is revealed. Then we "know" what we have never "known" before.

It is through disclosure and feedback that our open pane is expanded and that we gain access to the potential within us represented by the unknown pane. KnowMe™ provides players with an opportunity to disclose their personal beliefs, values and attitudes and to receive feedback about how others see them.

# **ANNEX 5**

## **Annex 5:**

### **I'm OK - You're OK, really?**

Who do you see when you look at yourself in the mirror? Do you see who others see or someone else? It is simply amazing how the person beneath our skin can be so hidden when many other aspects of us seem so obvious to others. Do you feel OK when you see yourself or are you never really satisfied? Why is it we have misgivings and feel insecure?

Thomas Harris some time back wrote an enormously popular and very insightful book entitled, "I'm OK You're OK". Based on Eric Berne's ideas called Transactional Analysis, Harris explores in depth what he calls 'life positions'. At some stage early in our lives we adopt a "position" about ourselves which very significantly determines how we feel about ourselves, particularly in relation to other people. When we look in the mirror we usually make conclusions about ourselves in reference to other people. Let's see what Thomas Harris suggests.

Harris proposes four life positions from which we may operate. All of them are built around the word "OK". The positions are: (1) "I'm not OK - You're OK"; (2) "I'm not OK - You're not OK"; (3) "I'm OK - You're not OK"; (4) "I'm OK - You're OK".

Position (1) "I'm not OK - You're OK" is the most common position. Most of us believe that generally other people are 'better' than we are. You may be surprised to learn this. Most people have a sense of inferiority, or at least levels of insecurity about themselves in relation to others. This view comes largely from childhood when we are smaller than the big people and when our own lives seem much less powerful and significant compared to those around us. We really are OK; it is just that starting out small has us feeling unequal from the start.

Position (2) "I'm not OK - You're not OK" is adopted by us when our early life experiences are difficult and quite negative and there is very little comfort or support around us. The child can feel abandoned and just gives up. There seems no hope. We learn not to rely on others; we stop relating openly and easily to those around us and deep relationships are both insecure and lack real intimacy. We are not happy about ourselves nor do we feel particularly happy about others. As an adult this position can create havoc in our relationships because we don't feel safe.

Position (3) "I'm OK - You're not OK" occurs when the first few years of our lives are so brutalized that we become a survivor who fiercely protects themselves from others and who experiences their sense of comfort from within without any reference to others. Why rely on others when they hurt you. I will be OK by myself. As an adult we can become a loner, act fiercely independent, not rely on other people at all and almost have the arrogant attitude that we simply will do it better. Like position (2) intimate relationships are difficult and dependence on others is seen as weakness. Getting close to people is risky and they may let you down and we can hate them for that. That is why they are to blame and are not OK. Both positions are really about vulnerability and feelings of safety.

Position (4) "I'm OK - You're OK" is the position we all need to move into. It is the place where we see ourselves and others as being OK. This position unlike the others is one that comes with an adult perspective where we are able to see ourselves more objectively and understand better the forces which have shaped us since our childhood. The information we gain as an adult helps us to balance the experiences we had as a child. To live within position (4) requires us to move away from the other positions. But if we don't know what they, how will we know if we are in them or have moved from them.

Being OK in ourselves and with others is certainly the way of peace and happiness. Getting there should be our goal. Understanding these life positions certainly helps point us in the right direction.

Policy Unit

# Targeting and Approaches to Client Segmentation

March 31, 2004

## **TARGETING AND APPROACHES TO CLIENT SEGMENTATION**

### **Targeting**

Targeting is defined by Newbrander as “concentrating resources, particularly resources for social programs, on the people who need them the most.” It is a tool that can be used in FP programs in order to direct resources in a planned manner so as to improve or protect equity. In fact, failure to adopt strong targeting strategies, especially in resource-poor countries or in this case, municipalities, can result in a substantial share of public funds supporting the non-poor while poor groups remain under served. Establishing targeting as an FP financing strategy is not an easy task. It requires consensus-building among multiple stakeholders, solid and valid information to support decisions, and strong advocacy to support every stage of the process. The local chief executive plays the key role in setting such a strategy in place.

### **Approaches to Client Targeting**

There are four broad approaches to client targeting: characteristic, individual, geographical and self-target. A mix of the four is also possible.

Characteristic targeting normally examines a range of barriers that prevent women from accessing FP services (e.g. social, physical, and financial). Individual targeting, on the other hand, usually considers financial capability alone.

Geographical targeting, meanwhile, is focused on identifying areas with high poverty incidence. A poverty map of the area is a very important tool for geographical targeting. The last method of client segmentation is known as self-targeting. Its design illustrates interventions that are attractive only to the poor. Some examples of self-targeting are the introduction of different brands and packages of FP commodities for the poor.

### **Advantages and Limitations of Each Approach**

In general, characteristic targeting is easier to implement since characteristics are either directly observable or easy to establish. They can include membership in a disadvantaged group (for example, an ethnic minority) or health system biases (for example, maldistribution of health facilities and staff). When characteristic targeting is used, minimal means testing is required to determine eligibility.

On the other hand, individual targeting deals with less observable characteristics and thus requires more rigorous means testing. The access barrier to be addressed is usually financial, such as poverty or the inability to pay fees or other factors associated with personal choices and behavior such as unwillingness to pay. This type of targeting at the individual or household level, helps discourage or detect the clients who do not belong to the defined target market.

Geographical targeting relies on the poverty map or any reliable proxy indicator to pinpoint the financial or economic capabilities of the client(s). A slum area, for example, may be considered a primary target market since its residents generally live below the poverty threshold. The limitation of using this targeting method is its tendency to make a “wholesale” judgment on the economic or financial status of the residents. Non-poor clients may be misclassified and continue to avail of the services for free.

Self-targeting is also easier to implement. It depends largely on the belief that “inferior” services would only likely attract those who cannot afford to pay for “quality” services. It must be understood that only the non-medical aspects of a service are “inferior” and the technical quality should not be compromised. Unfortunately, a lot of policy makers and clients consider this method as ethically and politically unacceptable.

### **Some Considerations in Selecting the Appropriate Approach**

The decision to choose which targeting method to adopt is best made after discussions of the various FP program stakeholders on access barriers and what constitutes vulnerability. These discussions should also go into relative costs and effectiveness of targeting approaches. Political acceptability likewise plays a key role in selecting the most appropriate approach

### **Defining eligibility criteria and determination mechanisms**

One of the more challenging tasks of targeting is defining the eligibility criteria and the processes to be employed. The set of criteria should establish the parameters for the selection of program beneficiaries. An example of a set of eligibility standards would be: MWRAs belonging to the D1 and E socio-economic categories, with no insurance coverage, and have expressed preference for modern, commodity-based FP methods.

The mechanisms, on the other hand, should describe the steps in securing the information needed to evaluate a client’s eligibility. These may range from simple procedures such as allowing the FP client to self-classify to more complex mechanisms such as means-testing. In between these two would be the current practice of classifying patients either by the public hospital- / municipal-based social worker or the community-based volunteer health workers.

Complex methods normally require more resources to implement. Its stringent procedures may even discourage the target market from actively seeking FP services. However, if properly planned and implemented, these complex methods may effectively differentiate the target sectors / individuals from the non-program beneficiaries.



However, degree of complexity of the determination mechanisms does not provide absolute guarantee that leakages will not occur. Human factors could likely allow non-beneficiaries to access program services. In the end, it will still be the appropriateness of the tool to the culture of the locality and the adequacy of the supporting program components (e.g. advocacy, policies) which will ensure the success of targeting strategies.